



# Network News

The resource newsletter of the Arkansas District Office

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## 2002 SBA Lender Training Little Rock: April 25!

### MESSAGE FROM THE DISTRICT DIRECTOR

*Although economic forecasters have predicted we will emerge from our recession by the third quarter of 2002, they also predict that some states, including Arkansas, may continue to suffer from an "economic slow-down" until well into 2003. We urge our lending partners to look to SBA guaranteed loans to increase their lending capacity, and to enhance economic activity and job creation in their communities. SBA guarantees obviously mitigate start-up, equity, or collateral risks, but many lenders fail to recognize the importance of expanding their lending capacity when money is "tight" or when economic conditions are less than optimum.*



**Joseph T. Foglia**

### ASSISTANT DISTRICT DIRECTOR **Linda Nelson**

#### 2001 LENDER TRAINING

This year's Annual SBA Lender Training Conference, arranged by the Arkansas Small Business Development Center, will be held at the Little Rock Hilton Inn from 8:00 a.m. until 4:00 p.m. on April 25.



Lenders are encouraged to send staff members that originate, close, and service SBA guaranteed loans. Workshop sessions will include a variety of technical issues, including eligibility guidelines, refinancing and change of ownership requirements, servicing and liquidation issues, the Pre-Qualification and LowDoc programs, monthly 1502 reports, and program updates.

A luncheon is included in the \$115 conference fee. To register, contact the Small Business Development Center at (501) 324-9043.

### FINANCE CHIEF **Bill Horne**

#### STAR LOANS

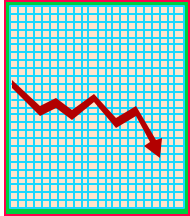
Details on STAR loans can be found in SBA Procedural Notices 5000-775 and 5000-779, which lenders may access at their SBA website, [www.sba.gov/banking](http://www.sba.gov/banking). STAR (Supplemental Terrorist Activity Relief) loans feature a reduction in the on-going lender fee from 50 basis points to 25 basis points.

- LENDERS determine if their loans are eligible for the STAR designation.
- Businesses must have been affected by the terrorist attacks of 9/11 as defined in Procedural Notice 5000-779.
- On new loans, lenders must write "STAR Loan" on their SBA Form 4-I, Lender's Application.
- In addition to new loans, those eligible loans approved on or after January 11, 2002, may be reclassified as STAR loans upon written request by the lender.

# SPECIAL SECTION

## LIQUIDATION TIPS!

No lender makes a bad loan (of course), but we all know that sometimes businesses do fail – now aren't you glad you have an SBA guaranty? SBA is not a liquidator and lenders are required to liquidate their SBA guaranteed loans, however certain procedures must be followed when liquidating SBA loans. Failure to follow these procedures may delay our guaranty purchase or in some cases place all or part of our guaranty at risk. Please remember:



- All lenders except PLP lenders must submit a liquidation plan for SBA review and approval PRIOR to initiating liquidation activities.
- PLP lenders must prepare a liquidation plan prior to initiating liquidation, but need not submit it for SBA approval. SBA will review the liquidation plan when conducting our guaranty purchase review.
- Equity is one of the primary credit factors considered by SBA, particularly for start-ups. If the SBA Loan Authorization specifies the borrower must make a cash or asset equity injection, it is the responsibility of the lender to prove the required injection was made. If the lender cannot document the injection, justification satisfactory to SBA must be provided with the guaranty purchase request to avoid a guaranty reduction.
- Lien searches: The SBA Loan Authorization specifies the lien position expected on all collateral offered. During the guaranty

purchase review, SBA will expect documentation from the lender proving the proper lien positions were perfected. This documentation should consist of a lien search AFTER the lender's lien is filed. Although not required, SBA also encourages lenders to obtain another lien search immediately prior to liquidation to document their legal right to liquidate.

- Loan transcripts: Incomplete or inaccurate lender loan transcripts often create delays in the guaranty purchase process. Lenders must submit a complete and detailed loan transcript (SBA Form 1149 or similar display) including the allocation of principal and interest on each payment made, "interest paid to" dates, and application of liquidation proceeds.
- Lenders are reminded that their demand for purchase must be made within 120 days of the maturity date. After 120 days, SBA has no obligation to purchase!

The purpose of SBA's guaranty purchase review is to insure that loans were closed and serviced in accordance with the Loan Authorization, to reconcile the transcript of account, and to make a determination to pay the entire guaranty, or reduce or deny the guaranty for cause.

**REMEMBER:** The key to a smooth guaranty purchase is to close and service your loans in accordance with SBA regulations, and to document thoroughly.

## PUBLIC AFFAIRS

*Jim Coffey*

## NEW SBDC LOCATION

The Arkansas Small Business Development Center has recently opened a new sub-center at Great Rivers Technical Institute in Dumas. Please refer your Southeast Arkansas small business clients to the new center for free consulting and help with research, business plans, and loan proposals. The Center Director, Kathryn Peacock, can be reached at (870) 382-1253, or [kpeacock@grti.tec.ar.us](mailto:kpeacock@grti.tec.ar.us).

## SBA LENDERS' WEBSITE

Be sure to take full advantage of our lenders' website at [www.sba.gov/banking](http://www.sba.gov/banking). Need a form? Download it here! Need an SOP? Access or download it here! Need to look up a Procedural Notice or program change? Look here! Need the 1502 Monthly Report directions or payment formula? Get them here!

## ARKANSAS WOMEN'S BUSINESS DEVELOPMENT CENTER

The Arkansas Women's Business Development Center (ARBDC) in Pine Bluff provides training and consulting services to women business owners and women seeking to start or purchase a business. ARBDC also is the site of the new Pine Bluff Business Information Center (BIC). Open to the public, the BIC offers a wealth of print and electronic resources. ARBDC is also an SBA Pre-Qualification Loan Program intermediary and can help your small business clients prepare their business plans and loan proposals.